



**For the Year Ending December 31, 2004**  
OF THE CONDITION AND AFFAIRS OF THE  
**Midwest Health Plan, Inc.**

NAIC Group Code	0000 (Current Period)	,	0000 (Prior Period)	NAIC Company Code	95814	Employer's ID Number	38-3123777
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America						
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]		Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[ ] No[X]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]		
Incorporated				Commenced Business			
Statutory Home Office	5050 Schaefer Road (Street and Number)			,	Dearborn, MI 48126 (City, or Town, State and Zip Code)		
Main Administrative Office				5050 Schaefer Road (Street and Number)			
	Dearborn, MI 48126 (City or Town, State and Zip Code)				(313)581-3700 (Area Code) (Telephone Number)		
Mail Address	5050 Schaefer Road (Street and Number or P.O. Box)			,	Dearborn, MI 48126 (City, or Town, State and Zip Code)		
Primary Location of Books and Records				5050 Schaefer (Street and Number)			
	Dearborn, MI 48126 (City, or Town, State and Zip Code)				(313)581-3700 (Area Code) (Telephone Number)		
Internet Website Address	www.midwesthealthplan.com						
Statutory Statement Contact	Allen A. Kessler, CPA (Name)				(313)586-6064 (Area Code)(Telephone Number)(Extension)		
	akessler@midwesthealthplan.com (E-Mail Address)				(313)581-8699 (Fax Number)		
Policyowner Relations Contact							
				(Street and Number)			
	(City, or Town, State and Zip Code)				(Area Code) (Telephone Number)(Extension)		

## OFFICERS

<u>Name</u>	<u>Title</u>
Mark Saffer DPM	President
Jack Shapiro MD	Secretary
Robert Rubin DPM	Treasurer

## OTHERS

Marshall G. Katz MD

Allen A. Kessler CPA

## DIRECTORS OR TRUSTEES

Mark Saffer DPM  
Rick Poston DO  
Sandra Boyd

Jack Shapiro MD  
Robert Rubin DPM  
Myra Gamble

State of Michigan  
County of Wayne ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)  
Mark Saffer

(Printed Name)  
President

(Title)

(Signature)  
**Jack Shapiro**  
 (Printed Name)  
**Secretary**  
 (Title)

(Signature)  
Robert Rubin

(Printed Name)  
Treasurer

(Title)

Subscribed and sworn to before me this  
day of \_\_\_\_\_, 2005

a. Is this an original filing?

b. If no,      1. State the amendment number  
                    2. Date filed  
                    3. Number of pages attached

Yes[X] No[ ]

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(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D) .....	1,006,458		1,006,458	1,007,813
2.	Stocks (Schedule D)				
2.1	Preferred stocks .....				
2.2	Common Stocks .....				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances) .....				
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....653,798 Schedule E Part 1), cash equivalents (\$.....11,048,321 Schedule E Part 2) and short-term investments (\$.....21,394,419 Schedule DA) .....	33,096,538		33,096,538	32,648,946
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets (Schedule BA) .....				
8.	Receivable for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	34,102,996		34,102,996	33,656,759
11.	Investment income due and accrued .....	98,071		98,071	34,831
12.	Premiums and considerations				
12.1	Uncollected premiums and agents' balances in the course of collection .....				
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums) .....				
12.3	Accrued retrospective premiums .....				
13.	Reinsurance:				
13.1	Amounts recoverable from reinsurers .....	218,838		218,838	29,334
13.2	Funds held by or deposited with reinsured companies .....				
13.3	Other amounts receivable under reinsurance contracts .....				
14.	Amounts receivable relating to uninsured plans .....				
15.1	Current federal and foreign income tax recoverable and interest thereon .....	209,673		209,673	508,673
15.2	Net deferred tax asset .....	428,000	428,000		
16.	Guaranty funds receivable or on deposit .....				
17.	Electronic data processing equipment and software .....	76,337		76,337	212,208
18.	Furniture and equipment, including health care delivery assets (\$.....) .....	92,025	50,846	41,180	99,267
19.	Net adjustment in assets and liabilities due to foreign exchange rates .....				
20.	Receivables from parent, subsidiaries and affiliates .....	14,487		14,487	
21.	Health care (\$.....481,069) and other amounts receivable .....	481,069		481,069	917,934
22.	Other assets nonadmitted .....				
23.	Aggregate write-ins for other than invested assets .....				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	35,721,497	478,846	35,242,651	35,459,006
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	35,721,497	478,846	35,242,651	35,459,006
DETAILS OF WRITE-INS					
0901.	.....				
0902.	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	Leasehold Improvements .....				
2302.	.....				
2303.	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....	15,006,444		15,006,444	17,840,925
2.	Accrued medical incentive pool and bonus amounts .....	1,272,668		1,272,668	1,153,263
3.	Unpaid claims adjustment expenses .....	702,652		702,652	401,358
4.	Aggregate health policy reserves .....				
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserves .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....				
9.	General expenses due or accrued .....	311,219		311,219	500,034
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittance and items not allocated .....				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....				93,642
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured accident and health plans .....				
21.	Aggregate write-ins for other liabilities (including \$..... current) .....				1,305,372
22.	Total liabilities (Lines 1 to 21) .....	17,292,982		17,292,982	21,294,594
23.	Common capital stock .....	X X X	X X X	220,000	220,000
24.	Preferred capital stock .....	X X X	X X X		
25.	Gross paid in and contributed surplus .....	X X X	X X X		
26.	Surplus notes .....	X X X	X X X		
27.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
28.	Unassigned funds (surplus) .....	X X X	X X X	17,729,669	13,944,412
29.	Less treasury stock, at cost:	X X X	X X X		
29.1	..... shares common (value included in Line 23 \$.....) .....	X X X	X X X		
29.2	..... shares preferred (value included in Line 24 \$.....) .....	X X X	X X X		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29) .....	X X X	X X X	17,949,669	14,164,412
31.	Total Liabilities, capital and surplus (Lines 22 and 30) .....	X X X	X X X	35,242,651	35,459,006
DETAILS OF WRITE-INS					
2101.	Accrued Salary & Payroll Taxes .....				
2102.	Unearned Grant Funding .....				22,200
2103.	MDCH QA Assessment Fee .....				1,283,172
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....				1,305,372
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page .....	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X .....	628,478	540,063
2.	Net premium income (including \$..... non-health premium income) .....	X X X .....	111,547,130	93,088,986
3.	Change in unearned premium reserves and reserve for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....	(5,935,463)	(3,364,999)
7.	Aggregate write-ins for other non-health revenues .....	X X X .....		
8.	Total revenues (Lines 2 to 7) .....	X X X .....	105,611,667	89,723,987
Hospital and Medical:				
9.	Hospital/medical benefits .....		56,227,905	48,181,389
10.	Other professional services .....		5,428,411	4,273,079
11.	Outside referrals .....		1,321,195	1,347,200
12.	Emergency room and out-of-area .....		7,188,797	5,637,929
13.	Prescription drugs .....		16,106,651	13,356,111
14.	Aggregate write-ins for other hospital and medical .....			
15.	Incentive pool, withhold adjustments and bonus amounts .....		2,101,020	1,602,044
16.	Subtotal (Lines 9 to 15) .....		88,373,979	74,397,752
Less:				
17.	Net reinsurance recoveries .....		359,054	
18.	Total hospital and medical (Lines 16 minus 17) .....		88,014,925	74,397,752
19.	Non-health claims .....			
20.	Claims adjustment expenses, including \$..... cost containment expenses .....		2,465,774	1,981,333
21.	General administrative expenses .....		8,151,436	7,297,163
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....		98,632,134	83,676,248
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	6,979,533	6,047,739
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		451,215	302,240
26.	Net realized capital gains (losses) .....			
27.	Net investment gains (losses) (Lines 25 plus 26) .....		451,215	302,240
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....			
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	7,430,748	6,349,979
31.	Federal and foreign income taxes incurred .....	X X X .....	2,540,000	2,130,000
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	4,890,748	4,219,979
DETAILS OF WRITE-INS				
0601.	Revenue - Other .....	X X X .....	61,283	191,016
0602.	MDCH QA Assessment Fee .....	X X X .....	(6,376,409)	(3,556,015)
0603.	Child & Adolescent Health Center Fee .....	X X X .....	(162,791)	
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....	542,453	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....	(5,935,463)	(3,364,999)
0701	.....	X X X .....		
0702	.....	X X X .....		
0703	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....		
1401.	Unpaid Claims Adjustment Expense .....			
1402	.....			
1403	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....			
2901.	.....			
2902	.....			
2903	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	14,164,412	10,134,033
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32 .....	4,890,748	4,219,979
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Net unrealized capital gains and losses .....		
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....	69,510	(49,600)
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....	(1,175,000)	(140,000)
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	3,785,258	4,030,379
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	17,949,670	14,164,412
DETAILS OF WRITE-INS			
4701	.....		
4702	.....		
4703	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance .....	111,547,130	98,557,885
2.	Net investment income .....	199,160	457,069
3.	Miscellaneous income .....	(5,935,463)	(3,364,999)
4.	Total (Lines 1 through 3) .....	105,810,826	95,649,955
5.	Benefit and loss related payments .....	90,919,504	74,814,941
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	10,083,185	8,483,175
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....	2,150,000	3,603,384
10.	Total (Lines 5 through 9) .....	103,152,689	86,901,500
11.	Net cash from operations (Line 4 minus 10) .....	2,658,138	8,748,455
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	1,000,000	1,017,201
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....	7,105	
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	1,007,105	1,017,201
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	1,005,749	1,007,813
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....		
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	1,005,749	1,007,813
14.	Net increase (decrease) in policy loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	1,355	9,388
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....	1,175,000	(140,000)
16.6	Other cash provided (applied) .....	(1,036,900)	97,832
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(2,211,900)	237,832
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Line 11, plus Lines 15 and 17) .....	447,593	8,995,675
19.	Cash and short-term investments:		
19.1	Beginning of year .....	32,648,946	23,653,271
19.2	End of year (Line 18 plus Line 19.1) .....	33,096,538	32,648,946

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001	.....		
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## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

(Gain and Loss Exhibit)

[illegible]

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1 - PREMIUMS**

		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
Line of Business					
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employee Health Benefits Plan .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	111,987,507	.....	440,377	111,547,130
8.	Stop loss .....	.....	.....	.....	.....
9.	Disability income .....	.....	.....	.....	.....
10.	Long-term care .....	.....	.....	.....	.....
11.	Other health .....	.....	.....	.....	.....
12.	Health subtotal (Lines 1 through 11) .....	111,987,507	.....	440,377	111,547,130
13.	Life .....	.....	.....	.....	.....
14.	Property/casualty .....	.....	.....	.....	.....
15.	TOTALS (Lines 12 to 14) .....	111,987,507	.....	440,377	111,547,130



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - Claims Incurred During the Year**

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1.	Payments during the year:													
	1.1 Direct .....	89,336,391							89,336,391					
	1.2 Reinsurance assumed .....													
	1.3 Reinsurance ceded .....													
	1.4 Net .....	89,336,391							89,336,391					
2.	Paid medical incentive pools and bonuses .....	2,035,459							2,035,459					
3.	Claim liability December 31, current year from Part 2A:													
	3.1 Direct .....	15,006,444							15,006,444					
	3.2 Reinsurance assumed .....													
	3.3 Reinsurance ceded .....													
	3.4 Net .....	15,006,444							15,006,444					
4.	Claim reserve December 31, current year from Part 2D:													
	4.1 Direct .....													
	4.2 Reinsurance assumed .....													
	4.3 Reinsurance ceded .....													
	4.4 Net .....													
5.	Accrued medical incentive pools and bonuses, current year .....	1,272,668							1,272,668					
6.	Amounts recoverable from reinsurers December 31, current year .....	218,837							218,837					
7.	Claim liability December 31, prior year from Part 2A:													
	7.1 Direct .....	17,840,925							17,840,925					
	7.2 Reinsurance assumed .....													
	7.3 Reinsurance ceded .....													
	7.4 Net .....	17,840,925							17,840,925					
8.	Claim reserve December 31, prior year from Part 2D:													
	8.1 Direct .....													
	8.2 Reinsurance assumed .....													
	8.3 Reinsurance ceded .....													
	8.4 Net .....													
9.	Accrued medical incentive pools and bonuses, prior year .....	1,153,263							1,153,263					
10.	Amounts recoverable from reinsurers December 31, prior year ..	29,334							29,334					
11.	Incurred benefits:													
	11.1 Direct .....	86,501,910							86,501,910					
	11.2 Reinsurance assumed .....													
	11.3 Reinsurance ceded .....	189,503							189,503					
	11.4 Net .....	86,312,407							86,312,407					
12.	Incurred medical incentive pools and bonuses .....	2,154,864							2,154,864					

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - Claims Liability End of Current Year**

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1.	Reported in Process of Adjustment:													
	1.1 Direct .....													
	1.2 Reinsurance assumed .....													
	1.3 Reinsurance ceded .....													
	1.4 Net .....													
2.	Incurred but Unreported:													
	2.1 Direct .....	15,006,444							15,006,444					
	2.2 Reinsurance assumed .....													
	2.3 Reinsurance ceded .....													
	2.4 Net .....	15,006,444							15,006,444					
3.	Amounts Withheld from Paid Claims and Capitations:													
	3.1 Direct .....													
	3.2 Reinsurance assumed .....													
	3.3 Reinsurance ceded .....													
	3.4 Net .....													
4.	TOTALS													
	4.1 Direct .....	15,006,444							15,006,444					
	4.2 Reinsurance assumed .....													
	4.3 Reinsurance ceded .....													
	4.4 Net .....	15,006,444							15,006,444					

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	10,685,204	77,686,685	1,420,801	14,288,295	12,106,005	18,220,925
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8) .....	10,685,204	77,686,685	1,420,801	14,288,295	12,106,005	18,220,925
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pool and bonus amounts .....	1,010,142	1,025,317	.....	1,272,668	1,010,142	1,153,263
12.	TOTALS (Lines 9 to 11) .....	11,695,346	78,712,002	1,420,801	15,560,963	13,116,147	19,374,188

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Grand Total**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior .....	2,931	20			
2.	2000 .....	28,338	6,566	126		
3.	2001 .....	X X X	45,055	8,770	223	5
4.	2002 .....	X X X	X X X	53,465	10,663	33
5.	2003 .....	X X X	X X X	X X X	58,462	10,646
6.	2004 .....	X X X	X X X	X X X	X X X	77,687

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior .....	3,095	20			
2.	2000 .....	36,008	7,580	126		
3.	2001 .....	X X X	57,192	12,027	258	5
4.	2002 .....	X X X	X X X	64,934	12,105	33
5.	2003 .....	X X X	X X X	X X X	78,936	12,067
6.	2004 .....	X X X	X X X	X X X	X X X	91,975

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2000 .....										
2.	2001 .....		5			5				5	
3.	2002 .....		33			33				33	
4.	2003 .....		10,685			10,685		1,421		12,106	
5.	2004 .....	111,547	77,686			77,686	69.644	14,288	703	92,677	83.083

12 Total

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . .	NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior .....	2,931	20			
2.	2000 .....	28,338	6,566	126		
3.	2001 .....	X X X	45,055	8,770	223	5
4.	2002 .....	X X X	X X X	53,465	10,663	33
5.	2003 .....	X X X	X X X	X X X	58,462	10,646
6.	2004 .....	X X X	X X X	X X X	X X X	77,687

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 2000	2 2001	3 2002	4 2003	5 2004
1.	Prior .....	3,095	20			
2.	2000 .....	36,008	7,580	126		
3.	2001 .....	X X X	57,192	12,027	258	5
4.	2002 .....	X X X	X X X	64,934	12,105	33
5.	2003 .....	X X X	X X X	X X X	78,936	12,067
6.	2004 .....	X X X	X X X	X X X	X X X	91,975

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2000 .....										
2.	2001 .....		5			5				5	
3.	2002 .....		33			33				33	
4.	2003 .....		10,685			10,685		1,421		12,106	
5.	2004 .....	111,547	77,686			77,686	69.644	14,288	703	92,677	83.083

**12      Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other ..... NONE**

**12      Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other ..... NONE**

**12      Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other ..... NONE**

**13      Underwriting Invest Exh Pt 2D - A & H Reserve ..... NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 3 - ANALYSIS OF EXPENSES**

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$..... for occupancy of own building) .....		150,000	588,410		738,410
2.	Salaries, wages and other benefits .....		1,650,000	3,265,080		4,915,080
3.	Commissions (less \$..... ceded plus \$..... assumed) .....					
4.	Legal fees and expenses .....			134,569		134,569
5.	Certifications and accreditation fees .....			137,133		137,133
6.	Auditing, actuarial and other consulting services .....		10,000	559,264		569,264
7.	Traveling expenses .....			194,522		194,522
8.	Marketing and advertising .....			716,202		716,202
9.	Postage, express and telephone .....		160,000	311,355		471,355
10.	Printing and office supplies .....		25,000	397,269		422,269
11.	Occupancy, depreciation and amortization .....			53,644		53,644
12.	Equipment .....			19,221		19,221
13.	Cost or depreciation of EDP equipment and software .....		300,000	831,880		1,131,880
14.	Outsourced services including EDP, claims, and other services .....			74,612		74,612
15.	Boards, bureaus and association fees .....					
16.	Insurance, except on real estate .....			72,214		72,214
17.	Collection and bank service charges .....					
18.	Group service and administration fees .....					
19.	Reimbursements by uninsured accident and health plans .....					
20.	Reimbursements from fiscal intermediaries .....					
21.	Real estate expenses .....		10,000	315,789		325,789
22.	Real estate taxes .....					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes .....			220,000		220,000
23.2	State premium taxes .....					
23.3	Regulator authority licenses and fees .....			10,269		10,269
23.4	Payroll taxes .....		160,774	250,003		410,777
23.5	Other (excluding federal income and real estate taxes) .....					
24.	Investment expenses not included elsewhere .....					
25.	Aggregate write-ins for expenses .....					
26.	Total expenses incurred (Lines 1 to 25) .....		2,465,774	8,151,436		(a) ... 10,617,210
27.	Less expenses unpaid December 31, current year .....			311,219		311,219
28.	Add expenses unpaid December 31, prior year .....			500,034		500,034
29.	Amounts receivable relating to uninsured accident and health plans, prior year .....					
30.	Amounts receivable relating to uninsured accident and health plans, current year .....					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....		2,465,774	8,340,251		10,806,025
DETAILS OF WRITE-INS						
2501.	Miscellaneous .....					
2502.	0 .....					
2503.	0 .....					
2598.	Summary of remaining write-ins for Line 25 from overflow page .....					
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....					

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.



EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a)..... 21,339	..... 13,429
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....	.....
1.3	Bonds of affiliates .....	(a).....	.....
2.1	Preferred stocks (unaffiliated) .....	(b).....	.....
2.11	Preferred stocks of affiliates .....	(b).....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c).....	.....
4.	Real estate .....	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	(e)..... 386,447	..... 450,405
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	..... 407,786	..... 463,834
11.	Investment expenses .....	(g).....	
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	(g).....	
13.	Interest expense .....	(h)..... 12,619	
14.	Depreciation on real estate and other invested assets .....	(i).....	
15.	Aggregate write-ins for deductions from investment income .....	.....	
16.	Total deductions (Lines 11 through 15) .....	..... 12,619	
17.	Net Investment income (Line 10 minus Line 16) .....	..... 451,215	
DETAILS OF WRITE-INS			
0901	.....	.....	.....
0902	.....	.....	.....
0903	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501	.....	.....	.....
1502	.....	.....	.....
1503	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$.....708 accrual of discount less \$.....(7,813) amortization of premium and less \$.....(7,105) paid for accrued interest on purchases.			
(b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.			
(c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(d) Includes \$..... for company's occupancy of its own buildings; and excluding \$..... interest on encumbrances.			
(e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(f) Includes \$..... accrual of discount less \$..... amortization of premium.			
(g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.			
(i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....	.....	.....	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....
1.2	Other bonds (unaffiliated) .....	.....	.....	.....	.....
1.3	Bonds of affiliates .....	.....	.....	.....	.....
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....	.....	.....
3.	Mortgage loans .....	.....	.....	.....	.....
4.	Real estate .....	.....	.....	.....	.....
5.	Contract loans .....	.....	.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....	.....
7.	Derivative instruments .....	.....	.....	.....	.....
8.	Other invested assets .....	.....	.....	.....	.....
9.	Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....
10.	Total capital gains (losses) .....	.....	.....	.....	.....
DETAILS OF WRITE-INS					
0901	.....	.....	.....	.....	.....
0902	.....	.....	.....	.....	.....
0903	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....

NONE

**EXHIBIT OF NONADMITTED ASSETS**

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D) .....			
2.	Stocks (Schedule D):			
2.1	Preferred stocks .....			
2.2	Common stocks .....			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens .....			
3.2	Other than first liens .....			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company .....			
4.2	Properties occupied by the production of income .....			
4.3	Properties held for sale .....			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6.	Contract loans .....			
7.	Other invested assets (Schedule BA) .....			
8.	Receivable for securities .....			
9.	Aggregate write-ins for invested assets .....			
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....			
11.	Invested income due and accrued .....			
12.	Premium and considerations:			
12.1	Uncollected premiums and agents' balances in the course of collection .....			
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
12.3	Accrued retrospective premiums .....			
13.	Reinsurance:			
13.1	Amounts recoverable from reinsurers .....			
13.2	Funds held by or deposited with reinsured companies .....			
13.3	Other amounts receivable under reinsurance contracts .....			
14.	Amounts receivable relating to uninsured plans .....			
15.1	Current federal and foreign income tax recoverable and interest thereon .....			
15.2	Net deferred tax asset .....	428,000	519,000	91,000
16.	Guaranty funds receivable or on deposit .....			
17.	Electronic data processing equipment and software .....			
18.	Furniture and equipment, including health care delivery assets .....	50,846	29,356	(21,490)
19.	Net adjustment in assets and liabilities due to foreign exchange rates .....			
20.	Receivable from parent, subsidiaries and affiliates .....			
21.	Health care and other amounts receivable .....			
22.	Other assets nonadmitted .....			
23.	Aggregate write-ins for other than invested assets .....			
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	478,846	548,356	69,510
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
26.	Total (Lines 24 and 25) .....	478,846	548,356	69,510
<b>DETAILS OF WRITE-INS</b>				
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....			
2301	.....			
2302	.....			
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page .....			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....			

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	48,729	50,357	52,576	53,319	55,065	628,478
2.	Provider Service Organizations .....						
3.	Preferred Provider Organizations .....						
4.	Point of Service .....						
5.	Indemnity Only .....						
6.	Aggregate write-ins for other lines of business .....						
7.	TOTAL .....	48,729	50,357	52,576	53,319	55,065	628,478
DETAILS OF WRITE-INS							
0601	.....						
0602	.....						
0603	.....						
0698.	Summary of remaining write-ins for Line 6 from overflow page .....						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

# Notes to Financial Statement

**1. Summary of Significant Accounting Policies**

**a. Basis of Presentation**

The financial statements have been prepared on the basis of accounting practices generally prescribed or permitted by the State of Michigan Division of Insurance (statutory basis). Financial statements prepared on the statutory basis vary in some respects from those prepared in accordance with accounting principles generally accepted in the United States of America.

**b. Generally Accepted Accounting Principles**

The significant accounting principles, as outlined above, were followed in the preparation of the statutory basis financial statements. Had the financial statements been prepared in accordance with the accounting principles generally accepted in the United States of America, the following differences would have been noted:

- Furnitures and fixtures and the full amount of leasehold improvements would be capitalized at cost and depreciated over the estimated useful lives of the assets.
- Deferred income taxes would be provided for temporary differences between taxes currently payable and taxes based upon financial income.

**c. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of (1) assets and liabilities and the disclosure of contingent assets and liabilities at the date of the fianacial statements, and (2) revenues and expenses during the reporting period. A significant item subject to such estimates includes the accrual for hospitalization and other external providers. Actual results could differ from those estimates.

**d. Cash Equivalents**

Cash Equivalents have been accounted for in accordance with SSAP No. 2. All highly liquid investments with original maturities of three months or less are classified as cash equivalents.

**e. Improvements, Equipment and Depreciation**

Improvements and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using both the straight-line and accelerated methods.

**f. Revenue Recognition**

The Plan operates under two capitated contracts with the Michigan Department of Community Health (MDCH). For the years ended December 31, 2004 and 2003, these contracts provided the majority of the Plan's operating revenues. Revenue is recognized during the month in which coverage for enrolled members is in effect.

The MDCH performs a close-out reconciliation for each calendar year, which can result in additional payments to or from the Plan. Amounts receivable or payable as a result of the MDCH reconciliation process are recorded in the year known or estimatible.

**g. Risk Sharing Pool**

The Plan's contracts with providers require specified withholdings from capitation payments to create a pool for risk sharing based on membership. The pool is used to cover expenses incurred excluding inpatient in the event of over-utilization of medical services. Amounts withheld by the Plan for all Primary Care Providers with 100 to 499 Members will be held in a single Referral Services Fund. The Plan will pay 75% of any estimated surplus to the Providers, up to a maximum of two months capitation, and any remaining amount will be paid to the Plan. Any estimated deficit will be allocated 25%, up to a maximum of one month's capitation, to the Providers and any remaining deficit to the Plan. Amounts withheld by the Plan for each Provider with 500 or more Members will be held in a separate Referral Services Fund. Six months after the end of each calendar year, an accounting of actual and accrued expenses properly chargeable to the Referral Services Fund will be done by the Plan to determine the amount of any surplus or deficit in the Provider's Referral Services Fund. Any surplus will be paid 75% to the Provider and 25% to the Plan and any deficit will be allocated 25% to the Provider and 75% to the Plan.

**h. Hospitalization and Other External Providers**

The Plan accrues the cost of hospitalization and other external provider expenses in the period in which they are provided based in part on estimates, including an estimate for claims incurred but not reported to the Plan (IBNR).

**2. Accounting Change and Correction of Errors**

None.

**3. Business Combination and Goodwill**

None

**4. Discontinued Operations**

None.

**5. Investments**

**a. Restricted Deposits**

# Notes to Financial Statement

Restricted deposits represent a minimum deposit in trust to comply with requirements of the State of Michigan Division of Insurance.

**b. Short-term Investments**

Short-term investments consist primarily of interest bearing governmental and corporate debt securities with original maturities greater than three months and less than one year. The Plan has determined that its short-term investments will be held to maturity and are therefore carried at amortized cost in the accompanying financial statements.

**c. Long-term Investments**

Long-term investments consist primarily of interest bearing governmental debt securities with original maturities greater than one year. The Plan has determined that its long-term investments will be held to maturity and are therefore carried at amortized cost in the accompanying financial statements.

**d. Concentrations of Credit Risk**

Financial instruments which potentially subject the Plan to significant concentrations of credit risk consist principally of cash and cash equivalents. The Plan places its cash and cash equivalents with high credit quality financial institutions. At times, such cash and cash equivalents may be in excess of the respective financial institution's FDIC insurance limit. The Plan performs periodic evaluations of the relative credit standing of these institutions.

**6. Joint Ventures, Partnerships and Limited Liability Companies**

None.

**7. Investment Income**

During the fiscal year 2004 interest income:

Cash, Cash Equivalents and Short-Term Investments	\$450,405
Long-term bonds	<u>13,429</u>
Totals	<b>\$463,834</b>

**8. Derivative Instruments**

None.

**9. Taxes On Income**

Income taxes are calculated using the liability method specified by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

The provision for taxes on income consisted of the following:

<i>Year Ended December 31,</i>	<b>2004</b>	2003
<hr/>		
Current	<b>\$2,449,000</b>	\$2,184,000
Deferred	<b>91,000</b>	(54,000)
<hr/>		
<b>Taxes On Income</b>	<b>\$2,540,000</b>	\$2,130,000
<hr/>		

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets of \$428,000 and \$519,000 as of December 31, 2004 and 2003, respectively, relate primarily to the accrual of hospitalization and other provider costs, and are reflected as non-admitted assets in the accompanying financial statements.

**a. Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for:

<i>Year Ended December 31,</i>	<b>2003</b>	2002
<hr/>		
Income taxes	<b>\$2,150,000</b>	\$2,585,000
<hr/>		

**10. Information Concerning Parent, Subsidiaries and Affiliates**

Midwest Health Plan, Inc. is a wholly owned subsidiary of Midwest-HC, Inc.

The Plan has an agreement with Midwest Health Center, P.C. (Center), an entity related through common ownership, whereby the Center provides facilities and staffing services utilized by the Plan. For the years ended December 31, 2004 and 2003, These shared service fees

# Notes to Financial Statement

amounted to \$840,000 and \$840,000, respectively. In addition, the Plan paid approximately \$628,000 and \$542,000 during 2004 and 2003, respectively, for information systems services to this related party.

Under a primary site/plan agreement with the Center and other companies under common control, the Plan is responsible for making payments for provider services based on enrolled members. For the years ended December 31, 2004 and 2003 total payments for provider services to the three related parties were \$4,247,000 and \$3,478,000, respectively.

Amounts due from affiliates at December 31, 2004 of \$14,487 Amounts due to affiliate at December 31, 2003 of \$93,643 represents estimated overhead reimbursements. The balance of due from affiliate at December 31, 2003 is included as a non-admitted asset in the accompanying financial statements.

The Plan has entered into an operating lease agreement with a related party. Related party net rent expense was \$513,000 and \$568,000 for the years December 31, 2004 and 2003, respectively. The lease is currently being maintained on a month-to-month basis.

The Plan entered into an Administrative Services Agreement with Midwest Health AKM, Inc. in 2004. Other revenue of \$542,000 was earned with allocated expenses of \$298,350 resulting in a \$243,650 profit for the year ended December 31, 2004.

**11. Debt**

No long-term debt.

**12. Employee Benefit Plan**

The Plan maintains a 401(k) plan for its employees. All employees are eligible to participate in the 401(k) plan after completion of age and service requirements. The Plan makes matching contributions to the 401(k) plan up to four percent of eligible compensation. Contributions, net of forfeitures, made to the 401(k) plan by the Plan for the years ended December 31, 2004 and 2003 were approximately \$68,000 and \$47,000, respectively. The fair value of plan assets was \$607,411 and \$328,078 at December 31, 2004 and 2003, respectively.

**13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

In April 2004, the plan declared a dividend of \$1,175,000 and paid it in two equal installments (April and November) to its parent corporation. In 2003, the plan declared and paid a dividend of \$140,000 to its parent corporation. The proceeds of these dividends were used by the parent corporation to repurchase shares of its outstanding stock.

**14. Commitments and Contingencies**

None.

**15. Leases**

During 2000, the Plan entered into an operating agreement with a related party. Rent paid to the related party was \$281,250 and \$113,000 for the years ended December 31, 2003 and 2002, respectively. The lease is currently being maintained on a month-to-month basis.

**16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.**

None.

**17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities**

None.

**18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans.**

The Plan entered into an Administrative Services Agreement with Midwest Health AKM, Inc., an affiliated entity in 2004. Other revenue of \$542,000 was earned with allocated expenses of \$298,350 resulting in a \$243,650 profit for the year ended December 31, 2004.

**19. Direct Premium Written/Produced by Managing General Third Agents/Third Party Administrators**

None.

**20. September 11 Events**

None.

**21. Other Items**

None.

Notes to Financial Statement

22. Events Subsequent

None.

23. Reinsurance

The Plan has a reinsurance agreement with Reliastar Life Insurance Company, NAIC #67105, Federal tax ID #41-0451140. The deductible rate for institutional services is \$110,000 with a co-payment of 10%.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination.

None.

25. Change in Incurred Claims and Claims Adjustment Expenses

The Plan recognized claim adjustment expenses based on an actuarial determined amount. Claim adjustment expenses for the years ended December 31, 2004 and 2003 for the Plan were approximately \$2,466,000 and \$1,981,000, as specified by SSAP No. 55, Unpaid Claims, Losses and Loss Adjustment Expenses which was adopted by the State of Michigan Division of Insurance for implementation beginning with the year ended December 31, 2002 reporting requirements.

26. Intercompany Pooling Arrangements

None

27. Structured Settlements

None

28. Health Care Receivables - Admitted

A. Pharmaceutical/Rebates Receivable

Quarter	Estimated Receivable	Confirmed Receivable	Received within 90 days	Received within 91 -180 days	Received over 180 days
12/31/04	417,434	417,434	417,434		
9/30/04	650,000	648,329	648,329		
6/30/04	660,679	660,679	660,679		
3/31/04	1,044,013	1,264,430	1,264,430		
12/31/03	917,934	917,934	917,934		
9/30/03	None				
6/30/03	465,209	465,209	465,209		
3/31/03	None				
12/31/02	None				
9/30/02	460,961	460,961	460,961		
6/30/02	None				
3/31/02	None				

B. Risk Sharing Receivable

Year	Year	Estimated in P/Y	Estimated in C/Y	Estimated Billed in C/Y	Not yet billed	Received in Year Billed	Received First Subsequent	Received Second Subsequent
2004	2004	0	63,635	0	63,635			

28. Participating Policies

None

29. Premium Deficiency Reserves

None

30. Anticipated Salvage and Subrogation

None

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities .....	1,006,458	2.951	1,006,458	2.951
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies .....				
1.22	Issued by U.S. government sponsored agencies .....				
1.3	Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations .....				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations .....				
1.43	Revenue and assessment obligations .....				
1.44	Industrial development and similar obligations .....				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA .....				
1.512	Issued or Guaranteed by FNMA and FHLMC .....				
1.513	All other .....				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA or FHLMC or VA .....				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 .....				
1.523	All other .....				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2	Unaffiliated foreign securities .....				
2.3	Affiliated securities .....				
3.	Equity interests:				
3.1	Investments in mutual funds .....				
3.2	Preferred stocks:				
3.21	Affiliated .....				
3.22	Unaffiliated .....				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated .....				
3.32	Unaffiliated .....				
3.4	Other equity securities:				
3.41	Affiliated .....				
3.42	Unaffiliated .....				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated .....				
3.52	Unaffiliated .....				
4.	Mortgage loans:				
4.1	Construction and land development .....				
4.2	Agricultural .....				
4.3	Single family residential properties .....				
4.4	Multifamily residential properties .....				
4.5	Commercial loans .....				
4.6	Mezzanine real estate loans .....				
5.	Real estate investments:				
5.1	Property occupied by company .....				
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt) .....				
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt) .....				
6.	Policy loans .....				
7.	Receivables for securities .....				
8.	Cash, cash equivalents and short-term investments .....	33,096,538	97.049	33,096,538	97.049
9.	Other invested assets .....				
10.	Total invested assets .....	34,102,996	100.000	34,102,996	100.000



**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[ ] N/A[ ]  
Michigan
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/1999
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/20/2001
- 3.4 By what department or departments?  
Department of Consumer & Industry Services (CIS), Office of Financial & Insurance Services (OFIS)
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[ ] No[X]
- 4.11 sales of new business?

Yes[ ] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[ ] No[X]
- 4.21 sales of new business?

Yes[ ] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[ ] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		.. Yes[ ] No[X] .	.. Yes[ ] No[X] .	.. Yes[ ] No[X] .	.. Yes[ ] No[X] .	.. Yes[ ] No[X] .

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
BDO Seidman, LLP, 755 West Big Beaver, Suite 1900 Troy, Michigan 48084-0178
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Michael Sturm, Milliman USA, 15800 Blue Mound Road, Suite 400, Brookfield, Wisconsin 53005-6069, Consulting Contract
11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

Yes[ ] No[X]
- 11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[ ] No[X]
- 11.3 Have there been any changes made to any of the trust indentures during the year?

Yes[ ] No[ ] N/A[X]
- 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes?

**BOARD OF DIRECTORS**

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[X] No[ ]
13. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[ ]

GENERAL INTERROGATORIES (Continued)

14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes☒ No☐

FINANCIAL

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

15.11 To directors or other officers

\$ .....

15.12 To stockholders not officers

\$ .....

15.13 Trustees, supreme or grand (Fraternal only)

\$ .....

15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

15.21 To directors or other officers

\$ .....

15.22 To stockholders not officers

\$ .....

15.23 Trustees, supreme or grand (Fraternal only)

\$ .....

16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes☐ No☒

16.2 If yes, state the amount thereof at December 31 of the current year:

16.21 Rented from others

\$ .....

16.22 Borrowed from others

\$ .....

16.23 Leased from others

\$ .....

16.24 Other

\$ .....

Disclose in Notes to Financial the nature of each obligation.

17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes☐ No☒

17.2 If answer is yes:

17.21 Amount paid as losses or risk adjustment

\$ .....

17.22 Amount paid as expenses

\$ .....

17.23 Other amounts paid

\$ .....

INVESTMENT

18. List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
1. Preferred .....	.....	.....	.....	.....	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>
2. Common .....	..... 60,000.000	..... 10,000.000	..... 22.000	..... X X X	..... X X X	..... X X X

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes☒ No☐

19.2 If no, give full and complete information, relating thereto:

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1).

Yes☐ No☒

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others

\$ .....

20.22 Subject to repurchase agreements

\$ .....

20.23 Subject to reverse repurchase agreements

\$ .....

20.24 Subject to dollar repurchase agreements

\$ .....

20.25 Subject to reverse dollar repurchase agreements

\$ .....

20.26 Pledged as collateral

\$ .....

20.27 Placed under option agreements

\$ .....

20.28 Letter stock or securities restricted as to sale

\$ .....

20.29 Other

\$ .....

20.3 For category (20.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
.....	.....	.....

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes☐ No☒

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes☐ No☐ N/A☒

If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes☐ No☒

22.2 If yes, state the amount thereof at December 31 of the current year.

\$ .....

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes☐ No☒

23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
.....	.....

23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

**GENERAL INTERROGATORIES (Continued)**

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year?

23.04 If yes, give full and complete information relating thereto:

Yes[ ] No[X]

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....

23.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	.....	.....

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?

24.2 If yes, complete the following schedule:

Yes[ ] No[X]

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
24.2999 Total .....	.....	.....

24.3 For each mutual fund listed in the table above, complete the following schedule:

1  Name of Mutual Fund (from above table)	2  Name of Significant Holding of the Mutual Fund	3  Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4  Date of Valuation
.....	.....	.....	.....

25 Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1  Statement (Admitted) Value	2  Fair Value	3  Excess of Statement over Fair Value (-), or Fair Value over statement (+)
25.1 Bonds .....	..... 22,400,877	..... 22,400,877	.....
25.2 Preferred stocks .....	.....	.....	.....
25.3 Totals .....	..... 22,400,877	..... 22,400,877	.....

25.4 Describe the sources of methods utilized in determining the fair values

Nature of Investment (U.S. Treasury Note) with stated interest rate and highly rated short-term commercial paper

26.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed?

26.2 If no, list exceptions:

Yes[X] No[ ]

**OTHER**

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?

27.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

\$ ..... 55,204

1 Name	2 Amount Paid
.....	.....

28.1 Amount of payments for legal expenses, if any?

28.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

\$ ..... 303,449

**GENERAL INTERROGATORIES (Continued)**

1 Name	2 Amount Paid
Barris, Sott, Denn & Driker, PLLC .....	..... 184,429

29.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$. ....

29.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[ ] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only:

\$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ .....
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ .....
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned

\$ .....
- 1.62 Total incurred claims

\$ .....
- 1.63 Number of covered lives

\$ .....
- All years prior to most current three years:
- 1.64 Total premium earned

\$ .....
- 1.65 Total incurred claims

\$ .....
- 1.66 Number of covered lives

\$ .....
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned

\$ .....
- 1.72 Total incurred claims

\$ .....
- 1.73 Number of covered lives

\$ .....
- All years prior to most current three years:
- 1.74 Total premium earned

\$ .....
- 1.75 Total incurred claims

\$ .....
- 1.76 Number of covered lives

\$ .....

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator .....	111,547,130	93,088,986
2.2	Premium Denominator .....	111,547,130	93,088,986
2.3	Premium Ratio (2.1 / 2.2) .....	1.000	1.000
2.4	Reserve Numerator .....	16,411,748	19,374,188
2.5	Reserve Denominator .....	15,709,096	18,994,188
2.6	Reserve Ratio (2.4 / 2.5) .....	1.045	1.020

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[ ] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes[X] No[ ]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[ ] No[X]
- 5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[ ]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical

\$ ..... 200,000
- 5.32 Medical Only

\$ .....
- 5.33 Medicare Supplement

\$ .....
- 5.34 Dental

\$ .....
- 5.35 Other Limited Benefit Plan

\$ .....
- 5.36 Other

\$ .....
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Midwest Health Plan has agreements with its Primary Care providers to continue services until enrollee is re-assigned by Medicaid.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes[X] No[ ]
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year

..... 409
- 8.2 Number of providers at end of reporting year

..... 617
- 9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[ ] No[X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months

..... 0
- 9.22 Business with rate guarantees over 36 months

..... 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[ ]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses

\$ ..... 2,507,639
- 10.22 Amount actually paid for year bonuses

\$ ..... 1,957,526
- 10.23 Maximum amount payable withholds

\$ .....
- 10.24 Amount actually paid for year withholds

\$ .....
- 11.1 Is the reporting entity organized as:
- 11.12 A medical Group/Staff Model,

Yes[ ] No[X]
- 11.13 An Individual Practice Association (IPA), or,

Yes[ ] No[X]
- 11.14 A Mixed Model (combination of above)?

Yes[X] No[ ]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[ ]
- 11.3 If yes, show the name of the state requiring such net worth.

Michigan
- 11.4 If yes, show the amount required.

\$ ..... 7,016,364
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[ ] No[X]
- 11.6 If the amount is calculated, show the calculation.
12. List service areas in which the reporting entity is licensed to operate:

**GENERAL INTERROGATORIES (Continued)**

1
Name of Service Area
Livingston, Macomb, St. Claire, Washtenaw, Wayne .....
Counties .....

FIVE-YEAR HISTORICAL DATA

	1 2004	2 2003	3 2002	4 2001	5 2000
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	35,242,651	35,459,006	27,441,362	21,050,550	15,116,418
2. Total liabilities (Page 3, Line 22) .....	17,292,982	21,294,594	17,307,329	14,923,973	11,109,783
3. Statutory surplus .....					
4. Total capital and surplus (Page 3, Line 30) .....	17,949,669	14,164,412	10,134,033	6,126,577	4,006,635
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 8) .....	105,611,667	89,723,987	78,629,655	66,401,257	42,928,140
6. Total medical and hospital expenses (Line 18) .....	88,014,925	74,397,752	66,117,660	57,381,838	35,716,195
7. Claims adjustment expenses (Line 20) .....	2,465,774	1,981,333			
8. Total administrative expenses (Line 21) .....	8,151,436	7,297,163	6,136,282	6,602,011	4,834,900
9. Net underwriting gain (loss) (Line 24) .....	6,979,533	6,047,739	5,055,713	2,417,408	2,377,045
10. Net investment gain (loss) (Line 27) .....	451,215	302,240	348,679	461,067	537,023
11. Total other income (Lines 28 plus 29) .....					
12. Net income or (loss) (Line 32) .....	4,890,748	4,219,979	3,515,392	1,948,475	2,024,068
<b>RISK-BASED CAPITAL ANALYSIS</b>					
13. Total adjusted capital .....	17,949,669	14,164,412	10,134,033	6,126,577	4,006,635
14. Authorized control level risk-based capital .....	3,508,214	3,092,669	2,725,261	2,271,681	1,552,787
<b>ENROLLMENT (Exhibit 1)</b>					
15. Total members at end of period (Column 5, Line 7) .....	55,065	48,729	40,316	35,477	31,094
16. Total members months (Column 6, Line 7) .....	628,478	540,063	457,773	401,185	263,456
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5)x 100.0					
17. Premiums earned (Lines 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical (Line 18) .....	79	80	84	86	83
19. Cost containment expenses .....		X X X	X X X	X X X	X X X
20. Other claims adjustment expenses .....	2				
21. Total underwriting deductions (Line 23) .....	88	90	94	96	94
22. Total underwriting gain (loss) (Line 24) .....	6	6	6	4	6
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 12, Column 5) .....	13,116,147	13,582,609	11,896,993	8,151,932	5,241,818
24. Estimated liability of unpaid claims-[prior year (Line 12, Column 6)] .....	19,374,188	16,017,430	13,943,451	9,518,786	6,502,314
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1) .....					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1) .....					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2) .....					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11) .....					
29. Affiliated mortgage loans on real estate .....					
30. All other affiliated .....					
31. Total of above Lines 25 to 30 .....					

**SCHEDULE D - SUMMARY BY COUNTRY**  
**Long-term Bonds and Stocks OWNED December 31 of Current Year**

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States .....	1,006,458	1,006,458	1,005,749	1,010,000
	2.	Canada .....				
	3.	Other Countries .....				
	4.	Totals .....	1,006,458	1,006,458	1,005,749	1,010,000
States, Territories and Possessions (Direct and Guaranteed)	5.	United States .....				
	6.	Canada .....				
	7.	Other Countries .....				
	8.	Totals .....				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States .....				
	10.	Canada .....				
	11.	Other Countries .....				
	12.	Totals .....				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States .....				
	14.	Canada .....				
	15.	Other Countries .....				
	16.	Totals .....				
Public Utilities (unaffiliated)	17.	United States .....				
	18.	Canada .....				
	19.	Other Countries .....				
	20.	Totals .....				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States .....				
	22.	Canada .....				
	23.	Other Countries .....				
	24.	Totals .....				
Parent, Subsidiaries and Affiliates	25.	Totals .....				
	26.	Total Bonds .....	1,006,458	1,006,458	1,005,749	1,010,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States .....				
	28.	Canada .....				
	29.	Other Countries .....				
	30.	Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States .....				
	32.	Canada .....				
	33.	Other Countries .....				
	34.	Totals .....				
Industrial and Miscellaneous (unaffiliated)	35.	United States .....				
	36.	Canada .....				
	37.	Other Countries .....				
	38.	Totals .....				
Parent, Subsidiaries and Affiliates	39.	Totals .....				
	40.	Total Preferred Stocks .....				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States .....				
	42.	Canada .....				
	43.	Other Countries .....				
	44.	Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States .....				
	46.	Canada .....				
	47.	Other Countries .....				
	48.	Totals .....				
Industrial and Miscellaneous (unaffiliated)	49.	United States .....				
	50.	Canada .....				
	51.	Other Countries .....				
	52.	Totals .....				
Parent, Subsidiaries and Affiliates	53.	Totals .....				
	54.	Total Common Stocks .....				
	55.	Total Stocks .....				
	56.	Total Bonds and Stocks .....	1,006,458	1,006,458	1,005,749	

**SCHEDULE D - Verification Between Years**

1. Book/adjusted carrying value of bonds and stocks, prior year	1,007,813	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	1,005,749	6.1 Column 15, Part 1.....	
3. Increase (decrease) by adjustment:		6.2 Column 19, Part 2, Section 1.....	
3.1 Columns 12 + 13 - 14, Part 1.....	708	6.3 Column 16, Part 2, Section 2.....	
3.2 Column 18, Part 2, Section 1.....		6.4 Column 15, Part 4.....	
3.3 Column 15, Part 2, Section 2.....		7. Book/adjusted carrying value at end of current period.....	1,006,458
3.4 Column 14, Part 4.....	(7,813)	8. Total valuation allowance.....	
4. Total gain (loss), Column 19, Part 4.....		9. Subtotal (Lines 7 plus 8).....	1,006,458
5. Deduct consideration for bonds and stocks disposed of		10. Total nonadmitted assets.....	
Column 7, Part 4.....	1,000,000	11. Statement value of bonds and stocks, current period.....	1,006,458



**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**  
**Allocated by States and Territories**

		1	2	Direct Business Only					
				3	4	5	6	7	8
State, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/ Casualty Premiums
1.	Alabama (AL) .....	No ..	No ..						
2.	Alaska (AK) .....	No ..	No ..						
3.	Arizona (AZ) .....	No ..	No ..						
4.	Arkansas (AR) .....	No ..	No ..						
5.	California (CA) .....	No ..	No ..						
6.	Colorado (CO) .....	No ..	No ..						
7.	Connecticut (CT) .....	No ..	No ..						
8.	Delaware (DE) .....	No ..	No ..						
9.	District of Columbia (DC) .....	No ..	No ..						
10.	Florida (FL) .....	No ..	No ..						
11.	Georgia (GA) .....	No ..	No ..						
12.	Hawaii (HI) .....	No ..	No ..						
13.	Idaho (ID) .....	No ..	No ..						
14.	Illinois (IL) .....	No ..	No ..						
15.	Indiana (IN) .....	No ..	No ..						
16.	Iowa (IA) .....	No ..	No ..						
17.	Kansas (KS) .....	No ..	No ..						
18.	Kentucky (KY) .....	No ..	No ..						
19.	Louisiana (LA) .....	No ..	No ..						
20.	Maine (ME) .....	No ..	No ..						
21.	Maryland (MD) .....	No ..	No ..						
22.	Massachusetts (MA) .....	No ..	No ..						
23.	Michigan (MI) .....	Yes ..	Yes ..			111,987,507			
24.	Minnesota (MN) .....	No ..	No ..						
25.	Mississippi (MS) .....	No ..	No ..						
26.	Missouri (MO) .....	No ..	No ..						
27.	Montana (MT) .....	No ..	No ..						
28.	Nebraska (NE) .....	No ..	No ..						
29.	Nevada (NV) .....	No ..	No ..						
30.	New Hampshire (NH) .....	No ..	No ..						
31.	New Jersey (NJ) .....	No ..	No ..						
32.	New Mexico (NM) .....	No ..	No ..						
33.	New York (NY) .....	No ..	No ..						
34.	North Carolina (NC) .....	No ..	No ..						
35.	North Dakota (ND) .....	No ..	No ..						
36.	Ohio (OH) .....	No ..	No ..						
37.	Oklahoma (OK) .....	No ..	No ..						
38.	Oregon (OR) .....	No ..	No ..						
39.	Pennsylvania (PA) .....	No ..	No ..						
40.	Rhode Island (RI) .....	No ..	No ..						
41.	South Carolina (SC) .....	No ..	No ..						
42.	South Dakota (SD) .....	No ..	No ..						
43.	Tennessee (TN) .....	No ..	No ..						
44.	Texas (TX) .....	No ..	No ..						
45.	Utah (UT) .....	No ..	No ..						
46.	Vermont (VT) .....	No ..	No ..						
47.	Virginia (VA) .....	No ..	No ..						
48.	Washington (WA) .....	No ..	No ..						
49.	West Virginia (WV) .....	No ..	No ..						
50.	Wisconsin (WI) .....	No ..	No ..						
51.	Wyoming (WY) .....	No ..	No ..						
52.	American Samoa (AS) .....	No ..	No ..						
53.	Guam (GU) .....	No ..	No ..						
54.	Puerto Rico (PR) .....	No ..	No ..						
55.	U.S. Virgin Islands (VI) .....	No ..	No ..						
56.	Canada (CN) .....	No ..	No ..						
57.	Aggregate other alien (OT) .....	X X X ..	X X X ..						
58.	TOTAL (Direct Business) .....	X X X ..	(a). 1 ..			111,987,507			
DETAILS OF WRITE-INS									
5701	.....								
5702	.....								
5703	.....								
5798.	Summary of remaining write-ins for Line 57 from overflow page .....								
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) .....								

(a) Insert the number of yes responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

